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Business on Their Minds

- How Experts in Investment Banks Organise Their Work

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Abstract

In discussions about the society of today, an important role is often attributed professions. However, expert knowledge is nowadays described as more fragmented than earlier, and the new ‘free experts’ show differences as well as similarities with the traditional professions. Features of differences and similarities between these groups of expertise, are also expressed on the organisational arena. This paper elaborates expertise in investment banks, and discusses the distinct features of their organising of work. In addition, their relation to the organisation employing them is discussed, and the paper thereby contributes to earlier findings on professions and expertise in organisations.

Key words: free experts, investment banks, self organising, evaluation, a financial social network

Business on Their Minds - How Experts in Investment Banks Organise Their Work

Introduction

In discussions about the society of today, an important role is often attributed to professions. They are described as the elite of the modern times (Perkin, 1996). As the landowners dominated the pre-industrial society and the capitalists controlled the industrial society, the professionals are foreseen to dominate the post-industrial society. Sometimes professions are described as a new 'class' (Brint, 1994), a consequence of their change in strategic directions, causing new forms of influence. Professions nowadays do not emphasize their social mission to the same degree as before. Instead, they have come to view themselves as market oriented experts.

However, expert knowledge of today is also described as changing, and Reed (1986) underlines that it has become more fragmented than earlier. The free experts in the expanding industries of finance, IT-technology, biotechnology and consultancy firms, do reveal some of the traits well known from the traditional professions, but also other characteristics. The market orientation among them is very accentuated, and there are few discussions of social missions. They must still explain their vital role for trade and industry, though, in order to legitimate their importance in economic life. Also their internal organisation show other features than the traditional professions. The classic conflict between organisation and expertise for example, was not at all mentioned in the study of expertise in investment banks reported here.

The financial arena receives much attention from researchers, yet, there are few examples of studies concerning the organisational aspects of financial expertise, and the role the social setting plays in experts' performance. This paper will introduce various categories of experts within investment banks, and describe how they co-operate in an unstructured network.

Expert Knowledge and Organising

The issue of a proper definition of professions has been thoroughly discussed (see e.g. Torstendahl, 1990). A large number of criteria have been suggested, which reveals the difficulty of deciding what determines the acquisition of a professional status. In agreement with the thesis that contemporary expertise is more fragmented than before, Reed (1996) distinguishes three types of expertise. The basic power strategy for the first one, independent *traditional professions*[1], has been to monopolise and police abstract knowledge and technical skills applied in the area of expertise. The traditional professionals' claims of cultural and technical authority are usually connected to existence of an association and a formalised occupational structure. Typical examples of this category are lawyers and doctors.

The second category is *managerial or organisational professions*, located in large private- or public-sector bureaucracies. They have not been able to monopolise positions or control a knowledge base in the way the liberal professionals have. Instead, they were forced to rely on a more fragmented and diverse knowledge base and task repertoire. Their strategy for acquiring and maintaining power is described as 'credentialism' (reliability). Since they are both the creators and beneficiaries of bureaucratic rationalisation, they generate new control systems to strengthen further their position. At the same time this continuous bureaucratisation threatens the 'areas of uncertainty' opened by skilful craft expertise, which sometimes leads to conflicts. Examples in this category are technical and economic expertise, often situated in managerial positions.

The third type of expertise Reed introduces is 'entrepreneurial professions' or 'knowledge workers'. He describes them as new arrivals on the labour market, who have benefited from the economic liberalisation and socio-political deregulation of the last decades. They depend on a highly esoteric and intangible knowledge base and are less concerned with formal education, and are, in Reed's description, focusing on specialised cognitive and technical skills that will give them political advantage. They maximise their political and economic advantages, by aggressively marketing their refined and portable knowledge/skill base. In this group, Reed places e.g. financial/business consultants, R&D engineers and IT analysts. Also the experts of brokerage houses could be described as exhibiting the characteristics of

[1] Reed (1996) does, however, name this group 'liberal professions'.

'entrepreneurial professions'. I will however label this group *'free experts'* (borrowing from Beckman, 1989), since the traditional professions earlier also were presented as entrepreneurial and this is, for instance, still the case of lawyers (Winroth, 1999).

Table 1: Expert Division of Labour in 'late Modernity' (Reed, 1996, p 586).

Expert Groups	**Knowledge Base**	**Power Strategy**	**Organisational Form**	**Occupational Types**
Traditional professions	abstract; codified; cosmopolitan; rational	monopolisation	collegiate	lawyers; doctors; architects
Organisational Professions	technical; tacit; local; political	credentialism	bureaucracy	managers; administrators; technicians
Free experts (knowledge workers)	esoteric; non-substitutable; global; analytical	marketisation	network	financial/business consultants; project/R&D engineers; computer/I.T. analysts

The technological developments that influence terms of contemporary business, have also consequences for professions (Ackroyd, 1996; Greenwood & Lachman, 1996). The possibilities of fast communication and transportation have widened the market substantially, and made business life less local or national, and more like a global net of transactions. The globalisation has influenced the terms of business for professions, and thereby their base for authority. It is suggested that different professions will handle these changed circumstances in different ways (Reed, 1996). Some might become more influential, while others lose their prestigious position. Thus, professional status is not to be seen as stable but instead as a social process, influenced by the changes in society as a whole (Torres, 1991).

As Abbot (1988) showed, new forms of legitimacy for professions develop along other trends in society. These legitimacy claims can vary substantially – from nationalism, freedom and imperialism for the military to justice for the legal profession. Working for common health used to legitimate the power of doctors', and efficiency of production the influence of engineers. Science is nowadays one common source of legitimacy, although its legitimating use takes different forms in different professions. The engineers' use of efficiency as a legitimacy basis has spread to a number of contexts, for instance organisational effectiveness, efficiency in medical treatment and, as in this case, efficiency in providing capital in a market.

The Debate on Organisational Conflicts

In discussions of professions conducted from an organisational perspective, other themes than power strategy and knowledge base, are usually focused on. An often-discussed subject is professionals' position within larger organisations (Boreham, 1983; Freidson, 1984; Barley & Tolbert, 1991). Firstly, professional work is seen as organised by a logic not in harmony with the one exhibited by bureaucracy in large organisations (Freidson, 1971). Professional work is, according to Freidson, organised according to an occupational principle, that give the expert the authority to judge and plan the production process. The production process in itself is not controlled by anybody, except the expert. Instead there is a social control of the expert, exercised by the colleagues within the occupation. In contrast to this, Freidson presents an administrative organising principle. Here authority is related to a formal position within a hierarchy. Control is exercised through rules and routines practised during the production process.

The other problem, often discussed in literature, is whether power conflicts between professionals and managers occur (Boreham, 1983). This conflict often comes to the fore, because professional authority is a result of social political processes similar to administrative influence. However, field studies show that professions are not only active within large organisations, but that a number of them actually grew up in these large organisations (Collins, 1990). Therefore a conflict between professions and bureaucracy might be frequent, but is not unavoidable. Instead of assuming a conflict, the researchers should pose it as an empirical question (Barley & Tolbert, 1991). These authors also point out that the relation between professionals and a bureaucracy in some cases can be described as symbiotic.

Investment banks have been described as 'self designing organisations' (Eccles & Crane, 1988), as the co-operation within them is constant, but needs to be flexible. Consequently, nobody manages the work of the experts directly. Rather, there exist more subtle control mechanisms that to a large extent rely on the networking abilities of the employees. This way of organising may actually be well adjusted to the type of service production that takes place in the investment banks. Therefore this paper focuses primarily on the experts and the ways in which they conduct and organise their work, and only secondarily on organisational controls. Thus, the reader will first meet the expert themselves in order to learn how they relate their work to each other. The discussion of organisational controls follows. However, I need to begin with some general comments concerning the field of finance as such and my way of studying it.

Voices About and From the Field

The best known image of the financial sector is the one provening from economics, which describes how a well functioning financial system contributes to an effective resource distribution (Santomero et al, 1991). The market is described as following economic laws, where the actions of brokers only mirror the movements on the market. This picture has been complemented with a psychological view of the cognitive processes of actors involved, for instance their attitude towards risk (Thaler, 1994). More social aspects have not always been excluded from the discussion of financial systems (Swedberg & Granovetter, 1988), but the attempts to reintegrate them have not been that easily accomplished. Therefore several voices have been raised for intensifying this debate (e.g. Granovetter, 1985).

As pointed out by many authors, the financial market has certain characteristics that make it unusually similar to an ideal market. There are low transaction costs; there are standardised products and a system supporting flexible trade. Therefore, actors in the financial market are usually described as rational actors. In contrast, Abolafia (1998) emphasizes the advantage of framing these 'market-makers' in a more humane perspective, and argues for qualitative research. A market-as-culture approach, that he proposes, draws the attention to rules and roles as social arrangements reflecting power, status and the traditions of the market. These roles and rules are not static, however, but are continually reconstructed and therefore changing over time

Recently, the role of storytelling in sense making and identity construction has been emphasised, sometimes related to the importance of the narrative tradition (Somers, 1994; Czarniawska, 1997). Stories are seen as mediating people's understanding and self-image. Narration is used to construct future scenarios as well as to create a perspective for the past. They become important for how sense is constructed, as they suggest how reality ought to be experienced. Groups and individuals become defined by categories and qualities, which then constitute the base for understanding their actions and attitudes. Humans can only understand the world around them through their own experience, and therefore analysing how individuals construct narratives of their situation and their identity, becomes basic for understanding their sense making.

So if assuming that the stories told by the experts are of interest, then what kind stories do they tell? And which of those stories told, become of interest for this paper? Because the work of investment bankers is regarded an interesting example of how experts organise their work in the business life of today, the stories focused on here, are the ones in which they describe their work. How this work is organised and the experts' relation to the organisation in which they are employed, becomes the main theme.

By way of introduction, an official version of brokerage houses and their role on the financial market is presented. After that, the reader will meet actors in these houses through their interview statements.

The Market of Securities

One way of explaining the role of brokerage houses is to see them as an actor – among many – is the market for money. The market for money is but a part of the financial system and is described as having three main functions:

- distributing savings to business,
- handling and spreading risk,
- supplying the economy with means of payment (Viotti & Wisén, 1991 p 10).

These functions correspond to two institutions in the financial sector: the market for securities and financial intermediaries. The market of securities supplies the economy with standardised instruments making investments in corporations possible. The intermediaries execute the transaction, when investors want adjustments in their capital investments.

The existence of a market for securities depends on an emission system, creating a primary market. Even if this primary market is a prerequisite for the secondary market, the latter is central and worthy of special attention. A well functioning secondary market is of great economic value, not least for mediating capital between businesses and spreading risk. The market for securities also has certain characteristics making it ‘smoother’ than, for instance, the one for consumer products, as securities have low transaction costs, especially with the computer technology of today.

A mediator who is always on the market offering buy and sell prices is called a ‘market-maker’ (Viotti & Wissén, 1991). For this ‘market-making’ to be profitable, the transaction costs must be low. As the profit comes from offering a number of securities at a given price, the ‘market-maker’ must be able to judge a ‘reasonable’ price at which to buy as well as sell. If the transaction cost were considerable, the profit for intermediaries would be lost in those costs. These transactions do not only demand low transaction costs, but also standardised instruments. Securities suitable for market trade with ‘market-makers’ have to be standardised, in the sense of being easily characterised in terms of risk and value. If they were not, the transactions would be fewer and thereby not making the intermediary a profitable practice.

The organised money market in Sweden relies on a well-developed market-maker function. A number of actors - banks and brokerage houses - act as market-makers by offering buy respectively sell prices. By their constant activity on the market, the mediators get a sense of what can be seen as a ‘reasonable’ price. This means that customers can dispose of relatively large volumes at given prices, although there is no specific buyer at a specific moment in time. The securities are instead temporarily stored in the stock of the market-maker and by means of the inter-bank market, these risks can be effectively spread. These systems create flexibility, as well as liquidity. There are a number of securities, but in order to simplify the presentation to be able to focus the main aim of this paper; I will only refer here to the market for shares.

Activities at the Stockholm Stock Exchange

The market for shares in Sweden is connected to Stockholm Stock Exchange. The practice started in 1863 and was converted into an independent subsidiary in 1993 (Stockholm Fondbörs, 1999 URL). The members of the Stock Exchange - banks and brokerage houses - are allowed to take part in the trading, nowadays by means of an electronic trade system called SAX. The basic purpose of the share market is usually presented as mediating venture capital (Viotti & Urwitz, 1988). In a world without uncertainty, allocation of savings would be the only task for the capital market. Then the secondary market for shares would not have any purpose. However, as there is a strong need to handle risk in the economy, the special role of the market for shares is obvious. A share can be seen as a legitimate claim on the company having issued the share. The value amount of this claim depends on the future cash flow of the company. By virtue of the limited responsibility coming with a share, the share holder only risks invested capital, not the remainder of his/her fortune. The market for shares, and especially the secondary market for shares, has made it possible for investors to change their holdings of investments, and by that also their risk situation, without considerable costs. When it comes to the handling of risk, there are a number of instruments on the capital market that can be used, but shares have one unique attribute. Having a share also means the right to a vote at the shareholders general meeting.

For the share market to be effective in allocating savings and distributing risk, there have to be regular price quotations, guiding various decision makers (Viotti & Urwitz, 1988). In a market economy, it is of great importance to try to create a 'system' that gives correct information. However, even if a well functioning share market is comparatively close to an ideal market, the information describes a situation too complex to be explained only in a price. Signals from a market are far too hard to interpret, and depend on too many scenarios to be possible to explain and predict easily. Therefore, the market is important for spreading information (price) from informed to uninformed persons. Nevertheless, this information is neither complete nor perfect, making it profitable to specialise and revise direct information and distribute it to interested investors, something brokers and analysts are very aware of.

The market for securities went through a renaissance in the 1980s, as shown by Boman (1988). The intensified trade depended on a complex scenario, where deregulation in the trade of securities, liberalisation of currency restrictions and a considerable amount of new corporations introduced on the market, are mentioned among others. During this period, the volume of shares issued more than doubled, in relation to the late 1970s, which generated more risk capital on the market. The increase in financial trade became even more accentuated during the 1990s, as illustrated in the figure below.

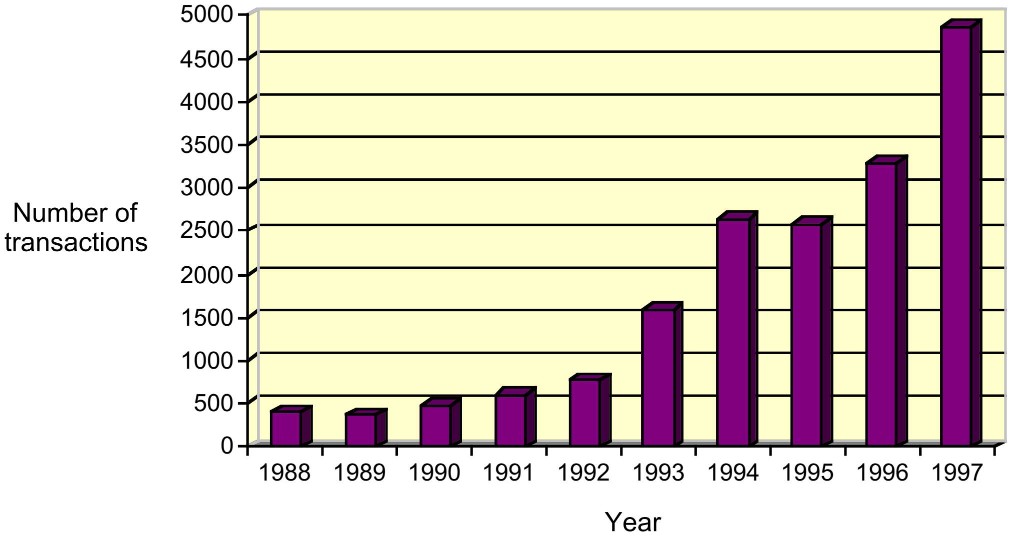


Figure 1: Transactions on the Stockholm Stock Exchange 1988-1997. Source: Stockholm Fondbors Factbook 1998 (including the A-, the OTC and the O-list).

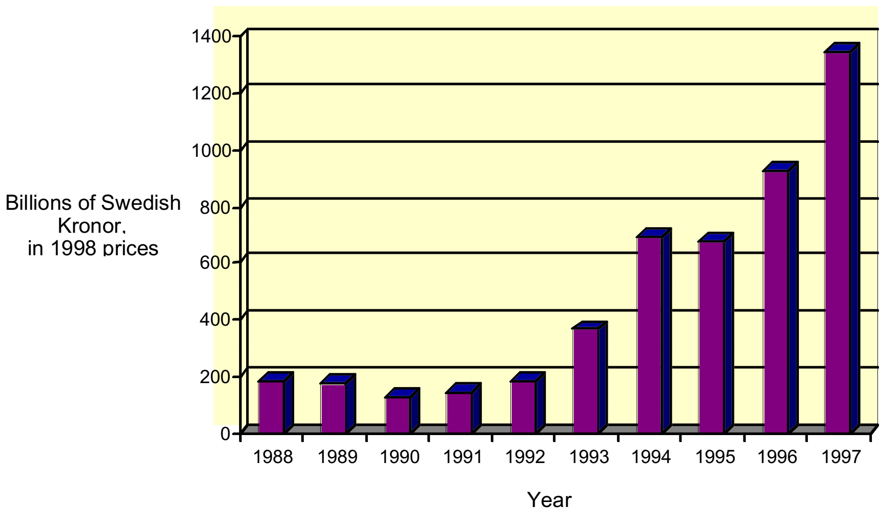
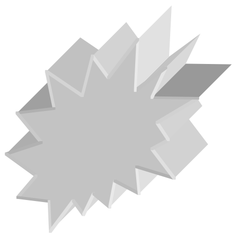


Figure 2: Transactions on the Stockholm Stock Exchange 1988-1997. Source: Stockholm Fondbors Factbook 1998 (including the A-, the OTC and the O-list. SBI-list not included).

This increase in trade was made possible by the need for capital in business, and the intensified interest from investors. The importance of a vital intermediary in the shape of brokerage houses is also mentioned by Boman, (1988), who perceives it as a business characterised by creativity and flourish in the 1980s. There were a number of new firms that were established in these years, and in addition, some business and saving banks received permission to trade in securities. The organisation of the firms changed, and the services they offered became more specialised. Some brokers showed interest in mediating large blocks of shares, and therefore were seen as having an institutional orientation to clients. The increase in volume of securities traded also made the income from brokerage more important for the firms (Hallvarsson, 1988). In addition, the traditions of the business changed. Earlier, fewer persons were involved, with the market clearly divided among them (Algott, 1963; Hallvarsson, 1988)[2]. The new generation in business became more active in contacting investors themselves, and the number of brokers increased dramatically. All these factors were important for creating the conditions making the transaction boom possible. The figure below illustrates this complex scenario, and the various factors shaping the current situation.

Legal changes:
- Deregulation in trade of securities
- Liberalisation of currency restrictions

Information and Technical changes:
- Technological development
- Increased information about corporation at the market



Capital demand and supply:
- Increased number of firms introduced at the stock exchange
- Increased capital saving, supplying capital for investments

Changes within the intermediate business:
- A number of new firms established
- Increased specialisation of work
- Creativity of product development, and new services

Figure 3: Scenario around the transaction boom in the 1980s and 1990s.

Actors in Investment Banks

In an ethnographic study, Abolafia (1996) described 'market-makers' in three markets: traders of bonds, of stocks and of futures. The three studies all focused on the relationship between the traders' pursuit of their own interest, and the nature of restraint in the marketplace. Abolafia emphasises the tension between the individual self interest of the trader, and the collective restraint that marks life on the trading floor. The traders want to make as much money as possible, but also to keep their customers. It is in the interest of all involved, that trust in the market is kept intact.

[2] The story of how a family business develop into one of the largest American investment banks, is told by Endlich (1999).

The traders studied by Abolafia were all active on Wall Street, a market facing similar changes as the Swedish financial markets, although the volume of trade in New York is considerably larger. Abolafia studied traders, because he saw them as the centre of market mechanism. However, my interviews in Swedish firms showed that other experts within the investment banks were perceived as equally important. Here the advice of brokers, researchers and experts of corporate finance were presented as of vital importance, for providing the expected service to the clients. The brokers are usually referred to as 'sales', and their task is to inform customers of factors that could cause changes on the market. As the competition between the various investment banks was intensified during the last decade, a new service of research developed, offering even more specialised information about eventual trends on the market. This research service is provided, by a category called 'analysts'. If a buy or sell situation is achieved by the sales, a 'trader' will execute the transaction. From my point of view all of these experts are of interest, in my attempt to understand the role of investment banks and the experts providing the services within them.

However, also a fourth service is offered in these investment banks, not closely related to the other three. It is the expertise of corporate finance, offering advice on financial structures for corporations. This service has increased in importance during the last decade and is even given the most attention in some of the American investment banks, because it is considerably lucrative. Consequently, the study also includes the experts of corporate finance.

The Branch of Financial Brokerage

The trading of shares on the Stockholm Stock Exchange is mediated through brokerage houses, for the primary market as well as the more intense secondary one. The number of direct actors on the market is limited to members of the Exchange, that is banks and brokerage houses. Describing the branch of investment banking is however not an easy task. The branch has changed a lot during the last decade, and the pace of change does not seem to decrease. During the 1980s the firms grew considerably and also developed more specialised services. The growth of the firms is now even more intensified, and there are signs of more diverse profiles of the various firms. Some of the houses specialise in only one type of expertise (instead of the usual four). Another alternative for creating a profitable niche, is to focus on a limited line of customers, and offer them specialised service. Also, trade on Internet is increasing, creating a somehow different situation for the possibilities of trading. Consequently, the coming decade is expected to bring as much change within the branch, as the last decade did.

In my interviews and in articles (e.g. Affärsvärlden (a Swedish weekly), 1999) the branch is usually described as being dominated by three big national investment banks. The three offer similar services, but were described as varying some in character, according to statements of interviewees. Nowadays, they are described as more similar, all focusing on offering first class service to customers regarding trading and research, as well as brokerage and corporate finance.

The brokerage houses vary substantially in size, as shown in the table below. It also indicate that some of the smaller firms are even more profitable per employee this year, compared to the largest ones.

Table 2: Size of firms and profitability during 1998. Source: Affarsvärlden 1999. (The table does not include all data presented in the original, here adjusted to the purpose of this text).

	Turn over - 98*	Operating profit – 98*	Profit/ Employ – 98**	Number of employees - 98
Firm A	1783	503	1069	470
Firm B	1659	299	518	577
Firm C	230	31	278	110
Firm D	202	-25	-186	133
Firm E	183	28	345	80
Firm F	59	23	1513	15
Firm G	31	17	1720	10
Firm H	31	3	164	21

* Numbers in millions of Swedish Kronor.
**Numbers in thousands of Swedish Kronor.

Evaluation is a practice given considerable attention within investment banks. As these evaluations have consequences also for the organising of the investment banks, I will make some comments on this practice.

To Evaluate Expert Services

As pointed out by Power (1997), interest in evaluation and auditing activities, have increased substantially during the last decades. This is evident also in the branch of investment banks. There is a number of ranking lists presented in magazines or made by institutes, indicating what they present as the latest opinion from the market. Even though the research, on which these ranking lists are based, is done with various degrees of seriousness, the lists are described as important and, if not trustworthy, at least indicative. They are widely read by people related to the branch, and intensively discussed, usually viewed as stating a standard of the firms in the business. The evaluations have even been described as one of the main control mechanisms used by management in investment banks (Eccles & Crane, 1988), indicating the importance these ranking are given in the branch.

The rankings are based on surveys, made among the customers of the branch, who evaluate the services of the experts. There are various specifications in these surveys. Some are evaluating the service of certain categories, as in the example presented below, where the analysts are the ones in focus. Here, various aspects of the service provided by the analysts is evaluated, and the actual profitability of advice only seen as one of the important aspects. The surveys are used for selecting the best analyst from various businesses. The table below comes from Affarsvärlden (The World of Business), the Swedish weekly mentioned before. It illustrates how these lists can be presented.

Table 3: Ranking of the best analysts in the Swedish market in 1999. Source: Affarsvärlden (1999, p 62. Here only two examples are included, but in the original article fifteen businesses were considered).

Winners in different businesses				
- 99	**- 98**	**- 97**	**The best analysts of the business**	**Points**
Trade				
1	3	8	Christian Wierup, Carnegie	34
2	1	1	Sandra Frimann-Clausen, Alfred Berg	24
3	-	-	Rasmus Engberg, Deutche Bank	9
			Best team: Carnegie	
Pharmaceuticals				
1	1	1	Annika Aspander-Jansson, Enskilda	45
2	3	5	Ingemar Kihlstrom, Aros	12
3	11	-	Erland Sternby, Alfred Berg	11
			Best team: Enskilda	

The name of the analyst, as well as the firm, is presented. The points stated are summaries of the various aspects of the service, and indicate if there are analysts considered outstanding best in an area. As can be seen from the example of 'trade', one of the analysts has been established for quite some years (Sandra Frimann-Clausen). The other two analysts ranked are new comers, one not even ranked before. In the case of 'pharmaceuticals' one person seem to be very established (Annika Aspander-Jansson), according to the points given her. The table also indicates the co-operation within the analyst teams, as investment banks are ranked for having the best team in the area.

Having highly ranked experts within a firm, gives considerable prestige and attention within the branch. The ranking lists therefor become a sort of marketing, indicating the best 'brands of the business'. The number of experts ranked in various firms are not only presented indirectly in the article, but actually presented themselves in a special table, illustrating which investment banks inhabiting the all round best analysts.

Table 4: Number of analysts highly ranked in various investment banks. Source: Affarsvärlden (1999, p 62. In original, the table shows the top ten firms, but for this example only six are presented).

Most Number of Business Winner									
				Number of First Positons			**Postitions in total**		
1999	**- 98**	**- 97**		**in 1999**	**in 1998**	**in 1997**	**in 1999**	**in 1998**	**in 1997**
1	3	6	Carnegie	5	2	0	10	10	6
2	1	2	Deutche Bank	4	5	4	7	7	9
3	2	1	Alfred Berg	3	4	5	12	8	11
4	4	3	Enskilda	1	2	2	5	3	4
5	6	7	H&Q	1	1	0	2	2	2
6	7	9	Myrberg/DDB	1	0	0	1	4	1

The table does not only show the number of ranked analysts from 1999, but also the last two years, illustrating the trend in the firm. As these rankings are given so much attention, the lists reflect also the prestige and status of the individual investment bank. As the branch is described as quite stable and having well known actors, the ranking lists become quite important arenas for image production.

Evaluations are, however, not only made by customers, but also by the employees within the investment banks. The employees evaluate their colleagues, in questionnaires similar to those given customers. Here aspects of competence, service and capability in generating new ideas, are assessend. Considering that the ranking is done externally as well as internally, it is no surprise that the climate within the firms is described as highly competitive. More about this competitive atmosphere will be mentioned later, stated by the experts themselves.

The data below concern the various experts found in investment banks. Most interviews were done within the largest investment banks, but a few also in middle sized ones. Persons interviewed were primarily experts from the various categories of ‘sales’, ‘traders’, ‘analysts’ and corporate finance, but also top managers. The firms are dominated by two lines of business, that is ‘Equities’, also called ‘Securities Broking’, and ‘Corporate Finance’. Usually there is also a small division of ‘Asset Management’, not included in the study as it has been characterised as marginal in their line of business.

Equities or Securities Broking

The business line of Equities is described as consisting of four parts: a sales part, a trading unit, analysts doing research, and finally the business support. These four parts are divided into categories, who during the workday co-operate closely together (most of them even sitting in the same room). As this paper focus on experts, the business support will not be discussed here, even though this part of the business line is vital for the production.

Sales

Sales are divided into two categories – institutional sales and private sales. The institutional sales usually serve only a few customers having large investments, like banks, capital funds, insurance companies or large corporations. Private sales are responsible for customers more in number, but usually not investing as much in capital, like trade unions, foundations or wealthy private persons. For institutional as well as private sales, their task is to keep their customers informed about news or expected changes on the market, making it easy for the customer to change their investment portfolio according to this information. Since every transaction is charged, the sales are expected to generate trade. The comments or reports produced by analysts' of the firm, are seen as vital when informing customers. Therefore the analysts are described as serving customers, as well as sales.

Sales describe their work as independent. They are responsible for a limited number of customers, and are expected to generate transactions. How they generate these transactions is, however, their own matter, as this private sale describes:

> It is nearly like a variant of franchising in our business. We all have our own clients, but the strategy for how to relate to them, is our own concern. Well, within the frames of the Expedition of Finance, of cause. We work far too much, about 65 hours a week. But you can't hold the job if you don't spend that much time on it. Unfortunately. Otherwise, you will not be able to handle the internal competition.

Various sales develop different strategies depending on how they relate to the market (illustrated also by Smith, 1981). They also develop various strategies depending on what kind of customer they serve, or prefer to serve, one aspect being how the customers relate to risk.

There is no specific educational background demanded for becoming a 'sales', but many of them have degrees from Business Schools. Usually, they have had a personal interest in the financial market for many years.

> I am 35 now, and have a degree in Business Administration. Well, my exam is not really finished yet. I have been working in this branch for 11 years, but have been dealing with shares since I was 16. Started back-office in 1987, which is quite common, but if you have your degree it is an alternative to start as assistant on analyses. Later I became assistant for portfolio administration, and in 1990 became responsible for a portfolio myself. 1991 I went to a larger corporation, being responsible for share holdings and in 1994 I came here.

Like in the traditional professions, the persons have been trained in their professional roles for many years. Exactly where this training has taken place varies, but all of them have for years been assisting, before given the status as expert.

The working day of sales, is structured by a few fixed points of time. The early morning is spent reading various financial papers, national as well as international. The first point of time is at 8.30 when all sales take part of a telephone meeting, were the analysts present their view of the market. The analysts dominate the meeting, giving their perspective of recommendable transactions for the day. Thereby sales are given ideas for what to recommend their various customers. After the meeting, the analyses can be more closely studied in reports or shorter comments.

The Stockholm Stock Exchange opens at 09.00 and closes at 17.30, the other two points of time structuring the day of sales. Between these hours the salespeople keep in contact with their clients by phone, communicating with some of them several times a day, and with others only some times a week. Every person is responsible for a number of clients and their deposits. There are few new clients on the market, which makes it possible to develop a personal relation between the sales and the customer.

The competition internally between sales is described as very intense, and the atmosphere in the place of work, sometimes as aggressive. Tension in the room is presented as varying with movements on the market, and people having outbursts of anger, described as part of the culture. A sales comments:

> It is tremendous competition between the brokers. The ideal I think, being brought up in team sports, would be to have it 'all for one', but that is not the case in the business. On the other hand it can be quite good. When I was working at the bank, I saw how a situation without pressure made people under stimulated. Here we have straight and honest manners. It is stressed, so the adrenaline can start flowing, but it is cleared out at once. There are a lot of people with temperament in the business. Outbursts are a natural part of the practise.
>
> One of my colleagues actually keep a cap by the desk and sometimes, when discussions getting more intense, he puts it on and says; 'it is starting to get chilly in here…'. Sensitive persons shouldn't work here. It can be really tough some times.

The strong pressure for generating trade, creates a competitive atmosphere, were performance becomes of vital importance. Even thought the customer relations have a long time perspective, the sales are expected to continuously generate trade. As the trade generated is described as related to the number of phone calls made, the sales spend most of their days talking on the phone.

> The worst is that you can't be away even for an hour. That would mean losing about four calls. It is hard to get time even to sole your shoes. Nowadays having lunch with a friend is extremely rare.

The contact with clients is not restricted to talking business on the telephone, but also involves meetings in more social settings. Having lunch with customers is regular, and not only investments are of interest during those lunches. One interlocutor presented it as normal also to discuss the service of the brokerage house. The customers continually rank the various houses they use, measuring the outcomes of recommended transactions. The success of earlier recommendations influences the potential for new orders. It becomes a credit system for having presented valuable investments. Consequently, also relaxed conversations include information about what customers find of importance for increasing the standard of service of the house. One chief sales comments:

> I meet customers sometimes during lunches and ask for how they view us, what we are good or bad at. My task is to improve it. Every year we follow up the qualitative goal – for how we ought to be ranked, and the quantitative goal – profitability.

Social arrangements with customers are not restricted to lunches. There are also breakfast meetings as well as dinners in the evening. Dinners usually include a presentation of new strategies, and suggestions of new investment possibilities in areas of interest. In these meetings are analysts involved also, presenting information and discussing the future trends with customers.

Even though the sales describe themselves as independent, they do not work on their own. During their working day, they are in close co-operation with others. The support of analysts is described as of especial importance. It is however not a structured co-operation, here described by a sales:

> There has to be contacts between the analysts and funds administrators. So the analysts must be customer oriented, service minded, able to communicate. We work in teams, even though there are no stable ones.

The co-operation with analysts is described as floating, depending on the customer preference for what business' they need information on. The teams can therefore be seen as being 'designed' to serve a certain customer.

Analysts

The analysts have acquired a more important role in the service of the investment banks during the last decade. One of the largest firms was earlier given the prestige of being an 'analytically driven house'. This investment bank is described as being ahead of the field, and the first to develop product standardisation of research. Today all large investment banks view the analysts as one essential key for success, and they all compete in being ranked as having the best analysts.

The analysts are usually divided into two subgroups. One of these is called share analysts, focusing on share values, and penetrating large companies within a business. The other group is called macro analysts, focusing on broader scenarios and strategies for various sectors. For them inflation, exchange rates, BNP, and statistics on national sectors, become of importance. Of great value is co-operation between the two groups of analysts, which is the reason why analyst teams also are valued in the rankings (see table 3 p 13).

The hierarchy within the group is flat; either you are an assistant, an analyst or a chief analyst. However, also the latter primarily work with research. Most analysts have degrees in Business Administration or Economics, and many begun their career within the business.

> I didn't plan to, but it was in this business all the jobs were, when I started in 1993. I came here in 1995 and do about the same work as I did in the other firm. It is important to change employer, not the least for economical reasons. I followed my boss here.

Some of the analysts, approximately 25%, have their background in the line of business they analyse, something also described as becoming more common. This is seen as a possible advantage, being familiar with the business, the terms for product development, and the business cycles.

The task of the analysts is to produce insightful reports, keeping sales as well as customers informed of possible future scenarios of the market. To understand and predict coming trends becomes the key to success. However, to always be right is not seen as the most important issue, as an analyst presents it:

> It is not to always be 'right' that give the best ranking. It is if you are experienced as a good discussion partner and generate interesting ideas. Everybody is wrong 50% of the time. But you have to present something interesting and in some way right. The customers reward if you dare, more than if you're always right. You're allowed to be wrong, but you are not allowed to do a bad job.

To always have an opinion about changing scenarios, and being able to describe why, is presented as vital. It would be impossible for an analyst, to leave a new situation in a branch or business without commenting upon. The purpose of all comments is to support the sales in their generation of transactions.

The reports the analysts produce are of various sizes. As the flow of information being enormous, customers as well as sales prefer short and compressed notes. There are larger reports produced yearly and quarterly, but also smaller ones that can be from about 4 to 100 pages. Most information is short comments, presenting suggestions on only 15 lines. It is described as if the analysts ‘spray out’ 2-300 messages on e-mail every week.

Naturally, the analysts are good mathematicians, and use a number of various economic models for their analyses. Statistics creating the background of trends are important, since the broader scenario is often seen as more vital than the detailed one. However, expected changes on the market are not seen as the most interesting news, since they are open to everybody. Instead information with potential for surprises is the most wanted. Surprises could be results better or worse than was expected, or a new product becoming more or less successful than was expected.

> The ingeniously is to predict the factors of surprise. The most important potential for a surprise, and the probability for it. Things that are expected seldom affect the market value in itself.

The reports are sometimes strategic documents commenting on the global economy and cycles within various sectors. They can also focus on certain businesses, presenting the key drivers, describing trends and commenting on possibilities and dangers with those trends. There can also be shorter documents discussing a single company. As the product is presented in writing, the stylistic communication skill also becomes of importance. The analysis ought to offer insightful information, but customers also demand a form and style in the writing. The titles of these reports mirror both the wish of presenting information distinctively, and an awareness that these products are a way of marketing the firm. One example is a document giving suggestions on strategic investment decisions, which had the title ‘Living in the danger zone’. Another report, discussing trends in a specific business, was called ‘Merger mania – Excessive expectations’. Both of these reports also had photos illustrating the title, however having nothing to do with business.

The analysts start their day about the same way as sales, reading financial papers and taking part in the telephone conference. During the day they are involved in contacts with customers, but not as regular as the sales. They must however serve customers as well as sales when needed. Therefore, the more thorough research and writing is often done during evenings. The contacts with sales are intense and both groups of experts are located close to each other, minimising the walking distance. Sometimes analysts sit in the same room as the sales and traders, sometimes just nearby. Since the timing is crucial in the business, an interesting report has to be presented within hours or days to be useful. Therefore analysts travel to the other offices presenting their latest views. A well written and interesting report could require of them to travel and present it in other offices all over the world.

The analysts are sometimes expected to engage in arrangements with customers, together with sales. Therefore, their social skills have become of more importance during the last years. How to fulfil the role of an analyst, is however described as something the individual person has to find out him- or herself.

> It is mostly up to your self, how to do it. Everything strive for good results, good rankings, but it is up to everyone to find a way to reach it. To find the alternatives. (Analyst)

Even if sales and analysts are the ones who create the order for trading, the transaction itself is put into other hands.

<u>*Traders*</u>

In an ethnographic study of traders, Bruegger (1999) compares the situation of a trader with the one of a test pilot in the US Air Force. Pilots are described as either having 'it' or not, needing to be made out of 'the right stuff', something also characterising traders, according to Bruegger. Maybe the traders could be seen as the most exotic expert at the brokerage firms, being given the leading role in movies ('Wall Street') as well as ethnographic studies (Abolafia, 1996; Bruegger, 1999).

Traders are however, not only found in investment banks. Abolafia's (1996) book presents three categories of traders, two of them working in investment banks and one at the New York Stock Exchange. Bruegger's (1999) study was done in a global bank. The profession is similar in those various organisations, however, and the working tasks are quite the same. Traders can broadly be described as being either proprietary traders or arbitrage traders (market makers).

The proprietary traders execute the orders from customers, generated by contacts with sales. To being able to conduct a transaction, though, the customers need a price for the security they are interested in trading. As the price for a certain security can vary through the day, the trader has to set the price, at which the customer is offered to sell or buy. This means that they can not set the price to low, since a transaction actually is wanted from their side, creating arbitrage. On the other hand, the transaction is not expected to create loss. As the traders are trusted to have knowledge of the 'right' pricing at a market, they are also allowed to trade for the house. These transactions can be profitable, even if the most important task is presented as giving the customers good deals.

The arbitrage traders focus on transactions made only for the brokerage house. They analyse the setting of prices between various security markets, and if finding securities priced over or under its expected value, they trade. However, this trading has other consequences than only creating revenue for the investment bank. As some markets do not have intense trading, the arbitrage traders support transactions on these markets. The trading in itself gives important information, as it indicates the price of the security. Therefore arbitrage trading not only supports liquidity on the market, but also makes the pricing of the market more effective.

The work of traders is very intense, and for these transactions seconds or minutes could be vital. One sales describes them:

> They have to be like tennis players, every second means a new decision for business. If you have lost a ball, you have to concentrate on the next. These people eat in front of the computer; they hardly have time to visit the bath.

During the last ten years, more categories of experts have been developed within the branch. One of these, is the special analysts supporting the traders in their work. These analysts are specialised in financial products, and support the traders by analysing various instruments on the market. The tasks of these analysts are however, not only to analyse others' products, but also to construct 'baskets' (portfolios) for the house. This makes it possible to offer and trade combinations of securities and not only single products. As one of them present it:

> For the traders the technique is vital. My role is to develop, verify and complete various financial instruments and explain the technique behind them. Here we mostly trade with 'plain vanilla', which is not that complicated or composited products. It is not that much about exotic derivates, legally formulated option contracts.

The analyst supporting traders has quite another character, than the ones supporting sales. They need information, but focus on a more limited time frame. The information needed is not about trends on the market, but about the various compositions of the instruments traded. Thereby, they are given a possibility to judge the value of the instrument and thus how to trade.

The educational backgrounds of the traders' vary, some of them having a university degree, and others lacking advanced education. As the skills needed are described as natural features, education is not necessary. However, they need a talent for mathematics, as well as the ability to handle stress. Another talent described as demanded, is an intuition for the market. As the pace of trading is so high, the actions are taken on intuitive grounds.

> The hard thing is to buy cheap and sell expensively. To read the market and do a correct judgement about how it will turn. It is hard to find the time to do what you should. Hard to be right more times than you are wrong. (Trader)

Even if traders primarily work during the opening hours of Stockholm Stock Exchange, the trading of securities is global, making the market open internationally throughout the twenty-four hours. This creates a continual information flow on the market. The information traders' use is however seldom presented in reports, since their of time frame is very short. Therefore, the information shared among the traders themselves is described as important for their performance, and sometimes even described as a teamwork. It is presented as if this teamwork can take two possible models. In the first model, described as common in banks, there is a chief deciding a strategy for the trading of the day. The other traders are expected to follow this initiative. The second model is more often used in investment banks, and gives the traders more autonomy.

> Here we are smaller than in a bank, and for historical reasons less steered. Each person is responsible for their own trading. The team work consist of open talk and discussions. The responsibility is individual, but we work as a team for trying out new ideas. It is a way of spreading information about tendencies at the market, a way of spreading it to others.

The organisational setting seems to be vital for the traders, even though they are also described as independent in performing their work. Still, the need for support from back office, as well as the information flow within the trading room, is presented as vital for their performance.

The Place of Work

Sales and traders are placed in one big room, around long desks. Every person, has his/her own section of a desk, equipped with screens, computers and a number of telephones. There are screens also around the walls of the room, indicating the prices of often traded shares. The analysts are placed in a close setting, with their own equipment, but in an area slightly calmer. Because there are many people working in a small space, talking on the phone or with colleagues, there is always sound in the room, and the noise is sometimes quite loud. But the lively place of work does not seem to bother the people working there:

> It is nice to work with people around. I do not want to sit in a corridor again. So many small things you have to ask people about, and I am not disturbed by them. You save a lot of time, which is just taken for granted. If somebody is sitting 20 meters away, it is enough for you not bother going there to discuss.

Even if these experts are described as managing themselves and being autonomous in their tasks, their need for a close social setting is explicit. The continual flow of information between the colleagues, becomes important for distributing information and the testing of new ideas. The open discussions and social setting does however also have other consequences, as the competitive atmosphere becomes very intense sometimes.

> Those who're not doing that well could have a hard time. It is not easy to make people help the ones not performing that well, since it affects their own situation. Even though it might make the group perform better. (Former sales chief)

The three expert groups sharing their place of work and everyday life do, however, not make up all the expertise within the brokerage houses. Behind the 'Chinese Walls', you find the experts of corporate finance.

Corporate Finance

The business line of corporate finance includes only experts within the area and business support. Depending on the size of the brokerage houses, the business line of corporate finance can be organised in various ways. Common for all of them, though, is having a flat hierarchy. A newcomer starts as an analyst, doing a lot of the research, and later becomes an associate, responsible for various projects. In the next step, as an associate director, you handle also larger projects and are more involved in customer contacts. The last step on the career ladder is to become a director. They primarily work directly with customers, developing ideas and relations. The earlier mentioned professionals support the directors in their work, primarily by providing analyses and research that are asked for in the various cases.

Occasionally, the competence of some analysts in Equities is demanded also in the corporate finance department, as they are trusted as experts in various businesses. However, bringing an analyst to work on a corporate finance case is seen as in some aspects problematic, and careful arrangements are made for keeping this a situation unknown. It is presented as important to keep a distance between corporate finance and the other services provided by the investment bank, as otherwise it might influence the advice given to customers by sales or analysts. As the corporate finance experts work with cases not yet publicly known, no discussions are allowed between the lines of business that could be seen as involving 'inside information'. Therefore it is described as being 'Chinese walls' between the two lines of businesses, and it is in the interest of the investment banks themselves, to convince the market that no illegal information is transferred between the lines.

The service provided by corporate finance is advice in business for executives. The advice is primarily based on economic analyses, and the suggestions are about various transactions and how these can be financed. There can also be more internal suggestions, indicating how a firm can be restructured for better profit. One director describes it in the following:

> You try to cultivate customer relations, we call it 'pitching', a form of marketing. What you actually do, is try to come up with interesting new ideas for them. It could be acquisitions or to sell parts of a company. Or ideas for making adjustments in liabilities, for example repurchasing shares; if they are in need of capital it could involve issues of

> new shares, and in other cases private placement. It can also be a question of splitting a firm, which actually could be seen as a trend now; to focus the business of corporations.

Advice to a corporation usually contains quite a few possible financial solutions, for bringing capital into the firm as well as for financing acquisitions or other investments. These different financial solutions vary in their legal consequences, and also the type and size of risk related to them. Therefore the financial solutions and strategy for a firm has to be adjusted to the situation at hand.

If, for example, a corporation plans to go public, there are a number of considerations related to this transaction. To go public is one way of attracting investors, but you also need to present an interesting corporation to invest in. Thorough research is therefore needed, to describe why an investor ought to invest in the firm. This information needs to include market trends in the business, as well as detailed information of the future plans of the corporation. The economical and legal situation has to be described, making it possible for the investor to judge whether the firm is an interesting case for investment or not. All these various considerations make the time to go public, one important aspect to judge.

Transactions involving large acquisitions also often imply the need for capital. In those cases the experts in corporate finance, the 'bankers'[3], can be involved in the suggestion of what corporation to acquire, as well as in the financial solution making it possible to finance the project. If interested in having new investors and already being a public firm, a corporation could choose to issue new shares.

Discussions about restructuring firms also include dividing corporations into parts. For creating a more focused strategy, divisions could be sold of to other companies. The advice can also suggest exclusively a financial transaction, creating a different situation for the corporation in question. There are cases when a public corporation chooses to sale off a part of the firm, issuing its own shares at the market. In these cases the former shareholders are actually given the shares in the new company, so the transaction is at first only legal. The rationale behind this is that the shareholders will increase their value over the longer term. This move also simplifies mobility among the shareholders, making it easier to adjust their portfolio to the risk situation they prefer. The services offered by the investment banks also include creating special financial instruments, focusing on the liabilities of the firms. This include, among other things, various forms of loans or option programs, a service presented as a form of financial engineering.

All these transactions are quite complicated and involve a number of detailed analyses for creating the situation most favourable for the shareholders as well as for the corporation. The work of the 'bankers' is to suggest various solutions to the executives in corporations, making new ideas and strategies evident. However, generating and presenting new ideas, i.e. 'pitching', usually involves quite long periods of marketing or discussions of a 'case'. Ideas could take years to be accepted, so the relations between the 'bankers' and executives are usually of a long duration. This 'pitching' is, however, not always a success. It is described as hard to measure the number of presented cases that fail, but a suggestion of 90% was accepted as good estimate. The pitches that are accepted are very profitable, though.

It could be surprising to learn that persons outside the firm give advice about internal financial solutions or strategies for coalitions. To use the expertise offered by corporate finance can, however, be seen as a form of outsourcing, according to one of the 'bankers'. First, there is quite a lot of research being done before transactions, and it would not be defensible in economical terms to have all this competence within the company doing the transaction, since these are rare. Secondly, it also becomes a way of legitimising decisions made by executives, and if anything goes wrong, at least they can defend themselves by pointing out that they acted upon the advice from one of the well-known brokerage houses.

The 'bankers' do not work under the time pressure the traders do. Their business is not at all decided in seconds. The stress they have to put up with is about irregular and considerable work demand. But the description of theirs', indicate that haste is a factor.

> It is often quite hectic, you run from one thing to another. Its always tight, in terms of time running out, meetings, different projects running parallel, you have to be effective. You can't go around thinking about things, you have to have them done right away. (Director)

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[3] Even though all experts in the investment banks can be seen as 'bankers', among the natives the experts in corporate finance are presented as '*the* bankers', and are therefore also given this name.

When cases are accepted, a very intense period of work follows. It takes considerable research to describe the trends of the business, making various economical analyses, examining legal conditions and possibilities and to describe why a certain solution to various problems will be the best. A newcomer is expected to work extremely hard during these periods, about 80 hours a week during the first years. However, also later long working hours and a flexible private life is expected.

> I try to keep the weekends clear. It takes a critical meeting on Monday to make me go to work during the weekend. Sometimes I go in and clear the table. It is situations of emergency all the time. My whole life is like one great drama. But this is also part of the fascination. In some aspects I am restless myself, and it reflects on how I work, what kind of industry I have chosen. Sometimes restless, other times incredibly tenacious, persistent. If it is worth fighting for. (Director)

When the 'bankers' describe their promotion prospects, however, the goal of their career is not becoming a manager (even if some managerial responsibility comes with becoming a director). Just like in the other expert groups within the firm, the main goal is to become a really good and respected professional:

> It is competence and specialist knowledge that counts. To be a good businessman, a really good negotiator and a respected adviser, that is what is most important - and also what is most rewarded. (Director)

Before I leave the field, some comments need to be made concerning the setting in which these expertise in investment banks work.

The Organisational Arena

The managerial control of how work performance, is not at all apparent in the description of experts' work in brokerage houses. The organisation is rather described as providing an arena for performance. The houses provide the technical equipment, business support, and the social context needed for the experts, in order to produce their services.

Brokerage houses invest primarily in personnel and technology. Both are, however, quite expensive investments, and have to be updated continually. It can cost up to $ 1 million just to hire a certain person, if he or she is a well known expert in the branch (this is however an amount taken from the Swedish market). There is also no guarantee that such an investment really will be profitable, even if many of them are. There are persons bought for that sum, having created revenues of four or five times the invested sum already during the first year. But these expensive experts do demand a well functioning back office.

> The stars are demanding, a bit spoiled. Like 'I am too precious for my PC not to work'. All details have to be in order. 40 copies of the material have to be on the desk and the client has to be booked – you are not allowed to fail in any way. Very expensive persons come to a system, where they expect everything else just to work. (Chief Financial Officer)

Not only the technology is an important background for the service, but also the control systems, which seem to be embedded into the practices in various ways. First, all the transactions are of considerable amount, as large sums are transferred daily. Therefore orders have to be checked and compared with the documents from VPC (Central Administration of Securities). All numbers have to be controlled, and no typing errors are allowed. Even small errors can have large consequences for the sums transacted. To secure that mistakes are minimised, there is a department called Risk Management responsible for the area.

Control does not only focus on avoiding mistakes, but also on limiting the various transactions made within the house. As the traders all have their own position to trade with, the sums of money transferred daily can be very high. If all of them were trading with loss, it could have large consequences for the economic balance for the house itself. Therefore, all transactions are registered and the overall economic situation of the firm meticulously followed up.

However, a more publicly discussed problem is the one of inside information or illegal trading. The houses have to control the transfers of information, in the case that inspectors from the Ministry of Finance, become interested in examining their business. If improper trading were found, the houses' permission to trade could be withdrawn. These needs were answered by employing a number of security practises inside the firms. For instance, employees all have to sign a contract when starting their work for the firm, accepting certain rules for their work. Among other things, these rules limit their possibilities for private trading. These rules are also supported by the practices of everyday work.

> We have a compliance officer, responsible for the rules to be followed, and there are also rules under development to make security even better. Everything you read has to be signed, everybody has to be informed and regularly be looked after. We follow up all cases of breaking the rules. There are general seminars on the theme. The top management is quite tough if people break the rules. Last year a middle manager was fired, doing private business. You have to be distinct and state examples when this matter occurs – 'this is the way it goes, if you break the rules'. (Chief Financial Officer)

The firms do not only provide the technical equipment needed, and the control securing the trust of the customer, but also with a social environment. This social context becomes an arena where people learn their profession, develop their skills, compete for measuring the standard of their performance and a context in which they experience their every day life. Here they learn the norms and values of the profession, and the behaviour of how to become successful.

There seem to be few problems with people not performing well, among the expertise in the investment banks. One reason for this could be the socialisation into the branch, as one analyst describes:

> The first house I was working in, were in those day outstanding – always the highest ranked. You were fostered there, to becoming best or not to stay.

The norms are described as expecting the experts to perform extremely well, to be able to compete among the very best in the branch. If someone could not fulfil this expectation, he or she was simply expected to leave. The interviews were not explicitly focused on this theme, but there seem to be employees taking their own initiative for leaving, if they are not able to compete with their colleagues. The competitive atmosphere does not seem to be indulgent, with those not performing to standards. However, this also means that management has no problem with the motivation of the employees. The investment banks seem to provide a setting were motivation is embedded in the culture. Furthermore, the goals of various groups within the firms seem to be well integrated, creating a common focus for them all. Thus, a conflict between managerial goals and the goals of the experts, do not become an issue.

> If there are organisational problems, they are rather the reverse of the usual – people are too focused on their own performance. You lose the team spirit if people are too egocentric. It is an extremely performance-oriented context. (Sales)

Since performance is seen as measurable, individual performances are always in focus. Even if various categories of experts need each other in their work, there are no stable teams working together that could create a social context of emotional importance for the members. The experts can be described as independent, because their co-operation with others depends on their need dictated by their performance, rather than by personal relations. This focus on individual performance and the loose bonding, could be reasons why the branch has an extremely high mobility. The salaries paid for the top performers are considerable (in 1997 the highest paid Swedish broker made more than $ 1 million; Carlsson, 1998), which shows how much the successful experts are valued. It has even been said that being bought over to another house is a way of raising your income. This is reflected in an ironic nickname given to some experts within the branch, who are called 'mercenaries'.

The Financial Experts and the Organisation

The free experts describe their organisational situation in the investment banks as a mixture of independence and of close co-operation. As the literature usually represents the relation between experts and the organisation they work for as conflicting, I would like to further elaborate this contradictory finding, adding an interesting example. As the regular evaluations of the experts within the branch, also have consequences for the relation between the experts and the organisation, this theme will be examined. The final topic of the present analysis will be a speculation about how the free experts develop an identification with a financial social network, and come to see themselves as members of that community, rather than the one of a special investment bank.

Self Organising as Part of the Production Process

The organising of expert work within the investment banks needs continual adjustment to the situation at hand, and has therefore been described as 'self organising' (Eccles & Crane, 1988). The experts are not able to offer services to customers on their own, but need the assistance of other expert groups. The sales, for example, have the primary contact with customers, but need support from traders as well as analysts to effect their services. However, not anyone belonging to one of these categories is suitable as co-operator, since they are all further specialized into various sectors. Therefore all the teams have to be formed, adjusted and re-formed, contingent on the interests of specific customers. This makes stable teams impossible. In their place, there is a continuing interactive process of creating specially formed teams, formed according to the need of a customer. The temporary co-operation therefore becomes a fluent network.

The pace in the business is very high, affecting also the organising of work. The market, and thereby the price of the product, can change rapidly, and accordingly the time for creating new teams must be held at a minimum. The judgement of who is best suited to serve a customer, becomes a question that each individual expert must ask him- or herself continuously. Thereby individual initiatives for co-operation become a natural part of the production process. This also means that experts must be ready to serve a new case, if their specialised knowledge is demanded there. As there are no stable rules regulating the co-operation and the time frame is short, 'self organising' becomes well adjusted to the situation the experts confront.

Thus, organisational control plays a limited role in production. The following up of all transactions, to confirm that they are completed correctly, is of course important for securing the business of the investment bank. As there are many transactions involving huge sums, simple mistakes in transfers could be very expensive for the bank. For the same reasons, the control of trading of the brokerage house is close. Even though traders are allowed periodically to trade with loss, the capital balance of the house itself must be kept intact. Organisational control also prohibits inside trading, introducing checks of phone calls and private transactions. These controls do not interfere however, with the production process of the services. The systems are meant to support the experts work, not control it, as long as it is performed within the legal boundaries.

In literature, the situation of professionals within large organisations often is considered problematic. Usually, these problems are presented as having two possible sources. First, there can be contradictions in organising principles used (Freidson, 1971), if an occupational and an administrative organising logic is used parallel. Second, a power conflict between managers and experts often comes to the fore, as they base their power in similar social processes (Boreham, 1983). But in the case of investment banks, neither of these problems seem to occur. Contradictions between organising principles do not arise, because the organising of expertise work is left undisturbed to follow the occupational logic. The experts plan and perform their work by 'self organising', and judge the resources needed for producing a special service as the production is already in process. The tasks of the experts demand continuous adjustment, making standardisation problematic. Therefore there are few administrative regulations that would limit or regulate the production process. As the administration is acknowledged as a support function, and not a production control function, the experts can perform their services without interruption from control instances.

The absence of administrative control in the production process can be seen as an interesting paradox, as economic accounting and analyses usually are understood as instruments of managerial control. However, in an organisation where the 'language of economics' is the only one spoken, there seems to be no need for middle managers or bureaucracy. Experts of management control instruments, organise their work in a way similar to other experts, and in practice declare the judgement of expertise to be more appropriate than administrative regulation.

The conflict between managers and professionals, mentioned in literature, does not come to the fore in the brokerage houses, either. One explanation could be that there are very few top managers within the firm. The bosses of the experts within the production have some responsibility for balancing the number of customers the experts serve, and having professional appraisal discussions, but they primarily see themselves as professionals. The identification is rather with the expert group and not with the administration of the firm. To advance in career does not mean entering into administrative management, but becoming an even better businessman and consultant. Consequently, there are no middle managers for the experts to have conflict with.

Even if some 'classic' problems for experts in organisations do not occur in the investment banks, other problems do. One of them is the high mobility of employees, a phenomenon also seen in other firms of modern expertise, such as data consultants and IT- analysts. I will return to this theme, after elaborating on the wider consequences of the practice of evaluation, in the branch.

The Significance Given Evaluation

As described by Power (1997) the interest for evaluation and auditing activities have increased substantially the last decades in all branches, and therefore can not be seen as characteristic just for investment banks. However, I would claim that the importance these ranking lists are given within the business is quite remarkable, and that they have wider consequences than in many other branches.

It is, for example, interesting to deliberate how these rankings are discussed within the field. They are given considerable attention, and the positions stated in the ranking lists seem to have a significant importance for the status of the expert and the investment bank. However, there is also an awareness of the difficulties in measuring the services of the expertise. Firstly, the surveys themselves can be designed with various degrees of substantiality. In the field, the different ranking lists are presented as varying in their trustworthiness. But secondly, there is also an ambiguity concerning the measurability of various aspects of service. The surveys often try to specify aspects of the service, which are of importance for how the service is experienced. One can argue that the ranking lists establish the most highly valued expert at a certain time, but that this also depends on how the survey was formulated and what aspects the questions focused upon.

For someone outside the business, profitability from advice given might be seen as an information easy to measure. There are factors complicating also this kind of calculations, however, as discussed by Eccles and Crane (1988). They mean that it is hard to measure the revenue of various departments, since there is only a loose linkage between value provided and revenues generated. As critical parts of the service is marketing and cultivation of relations to customer, creating the trust for later transactions, these practices become vital for the services, but still are very difficult to measure in profitability terms. Also, there can be a number of experts involved in producing a service, but to which department is the revenue to be considered? Even though experts and top managers in the branch are aware of the possible shortcomings of the evaluations, and the ambiguity in the results, they still give these rankings significant importance. Could this mean that the evaluations give other information or serve other functions than just establishing the hierarchy of the experts? They have been suggested as being an important management mechanism (Eccles & Crane, 1988), but could there be even more to it?

According to the experts in the investment banks, the market nowadays is increasingly characterised by a higher degree of transparency. The ranking lists in the branch could be seen as a tool adding transparency also to their own business. Transparency is a term, suggesting that information about companies has become more public, enabling even the outsiders to analyse the corporation or branch in question. Ranking lists might not be a common source of information to use in other branches, but in the business of investment banks they definitely are. They establish the status of the experts, which means the status of the house in question.

Consequently, the rankings are not only evaluations of the individual expert's performance and the status of the houses, but also a very effective form of marketing for the firm as well as for the individual. Having high ranked experts means status, but also a need to create working conditions to make them stay. The lists become like a 'most wanted' ad (in a positive meaning). As the individuals are constantly evaluated by the market, and interact in a process, where each person easily can be substituted why another having similar competence, a transparent labour market is constructed. This provides a base for continuous transactions in the market for expertise, reflected in the high mobility within the branch. As the relation between the experts and the employer has the dominant feature of being an economical contract, the social aspects of working for a firm become of less interest. The loyalty to colleagues or to the firm itself, does not become a major issue influencing the expert's choice of an employer.

The situation within the investment banks has similarities with the one of the consultants, especially those who work for the a same customer during a longer time. Their primary loyalty does not have to be with the customer they work for, even though the production of service take place in the customer's location, but instead their primary fidelity is to their employer. The loyalty of the experts in investment banks, however, is not to another organisation, but rather to the branch as such. They seem to identify with a financial social network, which involves a number of expert groups. This social network, even though heterogeneous, provides a social context, were the norms and values of the branch are reproduced. Socialisation and training of the experts take place somewhere within this financial community, where the experts learn the accepted behaviour and the ethics of the business.

Loyalty to a Social Network

The experts are not only evaluated on ranking lists. Long before they even have the chance of appearing on those lists, they have to be socialised into the branch culture and accepted as its members. It takes years of training before they are approved as full experts, and given responsibility according to that. They must not only perform well, but also be able to fulfil the social expectations of the branch. This means being able to act according to a professional role: being able to handle loss as well as success, being able to withstand the hard and aggressive climate at the work place, and knowing when to follow the logic of economic reasoning, but also when this is not appropriate. One is expected to succeed, but still there are rules not to be broken. The economic behavior and economic calculation so embedded in the culture are actually restricted by certain norms, seen as important for maintaining the trust of the market.

These social expectations create a situation similar to the one met in traditional professions. Even if 'free experts' in brokerage houses do not have to fulfil formal educational criteria for their position as experts, they still need certain knowledge and skills in order to be accepted. Most of them actually do have a university degree, even if it is not formally asked for. Specific knowledge is related to performing the expert task, and an ability to handle the technical instrument is required, a competence partially acquired during the years as assistant in the business. Besides the practical training, the experts are also socialised into the norms and values of the branch during this period. Their socialisation into full experts takes, just as in liberal professions, years of adaptation, involving also a critical selection process.

In contrast to the liberal professions, however, the boundary for this financial social network is blurred. It includes a number of expertise categories, some of them characterised in this paper. But the social network also includes a number of different organisations. There are banks, capital funds and insurance companies involved in this community, to mention only a few. The expertise in finance is spread to a number of branches in the financial business. It is interesting how this financial social network, so heterogeneous in character, seems to be able to socialise persons with various expertise, to focus on a similar goal. Even though they have differing tasks and serve different customers, all the experts succeed by having 'business on their minds'.

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